ADULT FINANCIAL CAPABILITY FRAMEWORK
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There has never been a more important time for everyone to improve their financial capability. New ways to earn and spend money, together with increasingly complex financial services, make it essential for individuals to gain the necessary skills, knowledge and understanding to make informed decisions and effective choices regarding their finances.

One of the key aims of the National Basic Skills Strategy for Wales is to reduce, as far as possible, the numbers of adults who need to improve their literacy and numeracy. Financial matters and consumer issues provide relevant and meaningful contexts for learners, and indeed there has never been a more important time for everyone to improve their financial capability.

Both the Financial Services Authority (FSA) and the Basic Skills Agency (BSA) are committed to supporting those individuals and organisations working to improve the financial capability of themselves and others. Following the recommendations of the Adult Financial Literacy Advisory Group report and the introduction of the new Adult Literacy and Numeracy Core Curricula, we are keen to develop a framework that outlines the skills and competences deemed necessary for financial capability. We believe that such a framework could be used to support the creation of learning programmes and resources around adult financial capability and a working party with representation from a wide range of organisations was convened to consult and advise on its development.

The result, the Adult Financial Capability Framework, is a document which covers a broad range of money management and consumer issues. It is for all those involved in financial capability education, including money advisers, teachers, trainers and helpers, who are interested in improving financial capability skills, knowledge and understanding. The framework aims to bridge the gap between personal finance education which is taught within the school curriculum and full engagement with financial services systems through the Financial Services Authority adult learning programme ‘Learn Online’.

Financial Services Authority
Basic Skills Agency
A great deal of work went into the development of *Financial Capability through Personal Finance Education*, which gave guidance for young people. This document builds on this in considering the applications for adults. It also seeks to take a broad approach, not concentrating solely on money management topics, and to suggest activities based on life change events – both recommendations from the NACAB report, *Summing Up*, November 2001. Links to the Financial Services Authority ‘Learn Online’ are referred to in the ‘Extending competence and confidence’ section.

The framework has three sections covering the three interrelated areas that go together to form financial capability.

**The three interlinked sections are:**

- **Financial Knowledge and Understanding**
  This is the ability to make sense of and manipulate money in its different forms, uses and functions. Financial knowledge and understanding allows people to acquire the skills they need to deal with everyday financial matters and make the right choices for their needs.

- **Financial Skills and Competence**
  This is the ability to apply knowledge and understanding across a range of contexts including both predictable and unexpected situations. Financial skills and competence makes available to people the necessary skills to allow them to plan, monitor, manage and resolve any financial problems or opportunities.

- **Financial Responsibility**
  This is the ability to appreciate both the wider impact of financial decisions on personal circumstances, the family and the broader community, and to consider social and ethical issues. Financial responsibility enables people to understand and appreciate their rights and responsibilities. They understand the need and have the skills/attitudes to plan, analyse, decide, evaluate and monitor financial decisions and choices. They understand the various sources of advice/guidance available.

There are three levels in this framework.

**The three levels are:**

- **Basic understanding and developing confidence**
  Aimed at those adults who have a low level of understanding and who require the skills to make informed judgments concerning their finances, and the ability to use appropriate financial services (denoted in the framework by a ‘B’).

- **Developing competence and confidence**
  Aimed at those adults who have a basic understanding and competence in handling financial services and require more knowledge and skills to meet their needs (denoted in the framework by a ‘D’).

- **Extending competence and confidence**
  Aimed at adults who require the skills and knowledge to understand the wider range of services and the ability to
make informed decisions regarding their own personal circumstances (denoted in the framework by an ‘E’).

Each level is divided into nine components.

**The nine components are:**

a. Different types of money/payments;

b. Income generation;

c. Income disposal;

d. Gathering financial information, and record-keeping;

e. Financial planning – saving, spending, budgeting;

f. Risk and return;

g. Personal choices and the financial implications;

h. Consumer rights, responsibilities and sources of advice;

i. Implications of finance.

Each component lists the specific skills, knowledge and understanding required and gives illustrations which give ideas for practical learning opportunities.

**Reference system:**

The framework uses a referencing system to help with the production of materials and with programme planning:

```
e.g. B(a)1 where:

B refers to the level

Basic understanding and developing confidence,

(a) refers to the component

Different types of money/payments and

1 refers to the Skills, knowledge and understanding

Recognise notes and coins and understand the differences in value.
```

**Cross-referencing:**

Each level is cross-referenced to the Adult Literacy and Numeracy Curricula and the Extending level is referenced to the FSA’s Learn Online programme.

**Glossary:**

A glossary is provided (Appendix 1). Words highlighted in red that appear within the text of the framework are explained in the Glossary.

**Resources:**

A list of useful resources has been compiled, including software and websites. Wherever possible the details have been checked and were up-to-date at the time of going to press.

Confidence is important at each stage as it is one of the key inhibitors to effective financial capability. With confidence comes the ability to develop the necessary skills/competence, a willingness to acquire appropriate knowledge, a true understanding of the relevant issues/services, and a desire to question attitudes relating to financial matters.
HOW THE FRAMEWORK CAN BE USED

This framework can be used by a wide range of people working in the field of financial capability to plan their work with adults. They can also use it to learn to understand the needs of people who come to them for help.

People with financial capability needs may also have a need to improve their basic literacy and/or numeracy. This framework may help advisers to recognise that difficulties may stem from someone not having the necessary literacy and/or numeracy skills (e.g. not being able to do percentages, read a leaflet or fill in a form), as well as from them not understanding how to resolve their debt problems.

The framework is linked to the adult basic skills core curricula both to indicate the level of basic skills required to take financial decisions and make informed choices, and to assist basic skills specialists to see where financial capability education can be used to deliver literacy and numeracy objectives. The framework also demonstrates that people do not have to be financial experts, just to have the skills to question, challenge and seek advice to understand their financial requirements.

It must be stressed that the framework is meant to be used as a practical tool to develop ideas to help improve financial capability and is not an attempt to try to measure the financial capability skills of the population. The framework contains examples of activities illustrating how the knowledge, skills and understanding relating to financial capability might be looked at.

It must also be stressed that the sections and levels do not have to be completed in order. The needs of each group or individual will determine which approach you take, for example, selecting a particular strand (debt, saving, borrowing, etc) across levels or theme (lifestyle events such as marriage, having children, unemployment, etc) within a level.

You may want to identify the skills, knowledge and understanding required by a particular individual or group and set up an action plan for them to develop those skills or identify resources that may be appropriate for them. Alternatively, you may use the framework to identify the support someone may need to sort out their problems.

Two illustrations of taking a strand approach across levels using ‘saving’ as the example in each:

**B(e)1** Begin to understand that saving can offer options for future spending.

**D(e)1** Understand the need to consider saving and the potential benefits.

**E(e)3** Able to obtain information and analyse it to decide on an appropriate service, taking care to evaluate and monitor the situation on an ongoing basis.

**B(e)2** Begin to understand the different ways of saving.

**D(e)2** Understand the variety of ways and places to save.

**E(f)4** Understand the difference in risk and return between saving and investment products.
how the framework can be used

Two illustrations of taking a theme approach within a level:

Facing unemployment – an example at the ‘Basic understanding and developing confidence’ level

B(b)2 Understand money is available when there is no/insufficient work.

B(b)3 Understand ways to increase income, e.g., work opportunities, benefits, etc.

B(c)1 Understand the difference between essential and nonessential spending.

B(c)2 Recognise household expenses and regular financial commitments.

B(d)4 Be able to keep a simple record of money coming in and going out.

B(g)1 Learn to balance needs and wants, and to prioritise spending.

B(g)2 Begin to prioritise within the constraints of limited resources.

B(h)1 Begin to understand different sources of advice/information, how to access such information/advice, and know some local contacts, including where to get advice on managing debt.

B(i)1 Begin to understand the consequences of having more or less money.

Having children – an example at the ‘Developing competence and confidence’ level

D(e)1 Understand the need to consider saving and the potential benefits.

D(e)2 Understand the variety of ways and places to save.

D(e)3 Begin to be able to plan and think ahead.

D(e)4 Understand how to use budgets to plan and control personal spending.

D(e)5 Begin to understand the difference between long-term and short-term financial commitments and how planning and decision-making for these differs. (Information is gathered based on identified needs, then analysed, a decision is made and the result evaluated.)

D(f)2 Begin to understand that both savings and borrowing are offered on differing terms and conditions.

D(f)3 Understand that you can make money from money by saving it, and being paid interest on these savings. Also understand that if you borrow money you will pay interest on that loan.

D(g)2 Able to identify short-, medium- and long-term needs.

D(g)3 Able to prioritise different needs working within the constraints of limited resources.

D(h)1 Understand that different people and organisations may give different advice on finances.
Everyone who works in the field of financial capability needs to be aware of the full range of factors which can influence a person’s decision-making when it comes to financial matters. It is important to consider these appropriately and set ground rules.

Case studies and generic material can be helpful when learners are beginning to explore financial choices and decisions as they provide safety due to being impersonal. However, using personal information can provide powerful learning opportunities due to the immediacy and relevance of the data. The aim of this framework is to provide individuals and groups with the tools to develop the skills, knowledge and understanding to explore making financial decisions. Having gained financial skills, knowledge and understanding, learners will be able to make effective and informed decisions in their own lives.
To acquire financial capability an adult requires certain literacy, language and numeracy skills. As many adults do not have the literacy and numeracy skills they need to be financially capable, these skills have been identified to help people working in the field of financial literacy to be aware that difficulties may arise from: a lack of financial literacy skills; or a lack of literacy, language and numeracy skills; or, a lack of both.

Where it is felt to be helpful, the literacy and numeracy skills have been referenced to the Adult Literacy and Numeracy Core Curricula. General literacy references have been given at the start of each level and some suggestions made within the illustrations – this is because literacy needs will vary depending on how the financial skill or knowledge is addressed. Numeracy references have been put in a column throughout each level as particular skills will be needed before you can address the financial skills or knowledge. If you are working with people whose first language is not English you may want to refer to the Adult ESOL Core Curriculum.

As adults move through the Financial Capability levels they will require better literacy and numeracy skills. It has been assumed that, at each Financial Capability level, adults will have or need to acquire the literacy and numeracy skills identified for that level and previous levels.

The three levels of the national standards for adult literacy and numeracy correspond to the levels of demand of qualifications in the national qualifications framework. As a rough guide, Level 1 is equivalent to GCSE grade D–G and Level 2 is equivalent to GCSE grade A*-C.
A CASE STUDY INVOLVING
THE USE OF THE FRAMEWORK

A local Citizens’ Advice Bureau (CAB) is involved with a nearby college in a pilot scheme which aims to help CAB clients with their immediate financial concerns and also to help them to improve their numeracy, literacy and financial skills.

A CAB adviser and a basic skills tutor are working together. The CAB adviser realises that improving clients’ basic skills will help to keep them out of money difficulties in the future, and the basic skills tutor sees personal finance as an engaging context for basic skills development.

One day, Anne comes into the CAB. She is worried because she thinks she may be evicted from her flat and because she is being threatened with court action over debt. Anne has a low income and is struggling to manage her finances generally.

The adviser talks through Anne’s situation with her and finds:

- Rent arrears as a result of inadequately completed housing benefit forms;
- Benefit overpayments because of incorrectly completed application forms;
- Court action on a credit debt because Anne purchased goods from a home shopping catalogue not realising this was an expensive way to buy;
- Delay in paying gas arrears because Anne did not have a bank account and the gas company would not accept postal orders – Anne’s preferred payment method;
- A high milk bill because Anne did not know that it would be cheaper to buy milk as part of her regular supermarket shop;
- A series of reminders from TV Licensing – she hadn’t paid as she was unaware that she could pay the fee in installments, using one of the payment methods available, rather than all at once;
- A worrying series of letters regarding debts because Anne was unable to negotiate or explain her financial position by telephone or by letter to the companies involved.

The CAB adviser deals with the ‘here and now’ issues first. He helps Anne to deal with her rent arrears, benefit overpayments, the reminders from TV Licensing and the letters from the creditors. He also checks that she is claiming all the benefits she is entitled to. As Anne is in a real crisis situation he even helps her make phone calls and write some letters.

Anne learns a lot from what the adviser tells her. She also becomes interested in improving her basic skills so that she can sort some of her problems out for herself.
and has less chance of getting into difficulties in the future. She even plucks up enough courage to admit that she has problems with understanding and filling in forms.

The CAB adviser introduces Anne to the basic skills tutor working on the project. Through discussion they draw up the areas that need to be looked at based on Anne’s financial concerns.

Then ‘using the framework’ the tutor can identify the financial capability skills and accompanying literacy/numeracy skills Anne will need to be able to manage her money better in the future.

<table>
<thead>
<tr>
<th>Area to look at</th>
<th>Financial Capability</th>
<th>Literacy/Numeracy skills</th>
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</thead>
<tbody>
<tr>
<td>Rent arrears</td>
<td>D(g)5</td>
<td>Writing L1</td>
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<tr>
<td></td>
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<td>Filling in forms</td>
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<tr>
<td>Benefit arrangements</td>
<td>D(g)5</td>
<td>Writing L1</td>
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<tr>
<td></td>
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<td>Filling in forms</td>
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<tr>
<td>Credit debt</td>
<td>E(a)1</td>
<td>Handling data L2</td>
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<td></td>
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<td>Percentages L2</td>
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<tr>
<td>Opening a bank account</td>
<td>D(d)1</td>
<td>Handling data L1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Filling in forms L1</td>
</tr>
<tr>
<td>Best buys</td>
<td>D(g)4</td>
<td>Comparing decimals L1</td>
</tr>
<tr>
<td>Responding to letters &amp; phone calls</td>
<td>D(d)3</td>
<td>Speaking &amp; listening L1</td>
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<tr>
<td></td>
<td></td>
<td>Reading L1</td>
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<tr>
<td></td>
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<td>Writing L1 Letters</td>
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</table>

With help from the CAB adviser, the list can then be prioritised and a decision made about where to start. The tutor draws up an action plan based on the assessment of Anne’s current skills level. After further discussion the tutor suggests ‘best buys’ and ‘opening a bank account’ as starting points.

Anne finds working on a programme tailored to her needs very rewarding. The framework helps the tutor to devise a step-by-step approach to developing financial capability. The CAB adviser gains an understanding of how the lack of basic skills can contribute to a client’s financial difficulties and looks out for this in the future. He reads through the framework and identifies areas where clients may have basic skills/financial capability needs. This helps him in his future work with clients and enables him to work more closely with the basic skills tutor to help clients more effectively.

Note:

Basic skills assessments such as ‘Fast Track’ are available (from the Basic Skills Agency tel. 0870 600 2400) which the non-specialist can use to identify a need for support with literacy and numeracy skills. The questions in ‘Fast Track’ could be contextualised to include questions relating to, for example, reading letters from the bank and keeping track of the money coming in and going out. Examples on how to develop literacy, language and numeracy skills are outlined within the Adult Literacy, Numeracy and ESOL Core Curricula. To support the Core Curricula, a manual ‘Access For All’ has been produced to help make the curricula accessible to the whole range of learners, including those with disabilities and/or learning difficulties.

See Appendix 2.
## SUMMARY OF THE FRAMEWORK

Progression through the levels of financial knowledge, understanding, skills, competence and responsibility

<table>
<thead>
<tr>
<th>Component</th>
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<th>Component</th>
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<th>Component</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>(a) Different types of money/payments</td>
<td></td>
<td>(d) Gathering financial information and record-keeping</td>
<td></td>
<td>(g) Personal choices and the financial implications</td>
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<tr>
<td>(b) Income generation</td>
<td></td>
<td>(e) Financial planning – saving, spending, budgeting</td>
<td></td>
<td>(h) Consumer rights, responsibilities and sources of advice</td>
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<tr>
<td>(c) Income disposal</td>
<td></td>
<td>(f) Risk and return</td>
<td></td>
<td>(i) Implications of finance</td>
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**Note:**

Words highlighted in red appear in the Glossary on Page 35.
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<thead>
<tr>
<th>Section</th>
<th>Component</th>
<th>Basic level</th>
<th>Developing level</th>
<th>Extending level</th>
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</thead>
<tbody>
<tr>
<td>Different types of money/payments (a)</td>
<td>1. Recognise notes and coins and understand the differences in value. 2. Recognise there are different forms of money, e.g. cheques, plastic cards, coupons, vouchers. 3. Understand cash isn’t the only way to pay for goods/services. 4. Understand different forms of exchange, e.g. money for goods/services, in-kind exchange, etc.</td>
<td>1. Understand that money means different things to different people. 2. Understand that cash isn’t the only way to pay for goods and services, and recognise the alternatives. 3. Understand different forms of payment including cheques, cheque guarantee cards and debit cards. 4. Understand and compare different forms of payment including standing orders and direct debit arrangements. 5. Understand the key words credit and debt and relate these terms to any savings and borrowing currently undertaken.</td>
<td>1. Understand the implications of different forms of credit and debt including credit cards, store cards and catalogue shopping. 2. Understand that exchange rates fluctuate and that commission may be charged to change currency. 3. Acquire increased understanding of the implications of credit and debt including overdrafts and different loan arrangements and ways to compare interest rates.</td>
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<tr>
<td>Income generation (b)</td>
<td>1. Recognise there are regular and unpredictable sources of money and identify your sources of income. 2. Understand money is available when there is no/insufficient work. 3. Understand ways to increase income, e.g. work opportunities, benefits, etc.</td>
<td>1. Understand how earnings and salaries are calculated. 2. Understand there are different forms of benefit, where the money comes from to pay them and how to access them. 3. Begin to understand the need for retirement provision.</td>
<td>1. Understand the need for money in retirement – pension – and how this could be paid for. 2. Begin to understand how companies and other organisations are financed, including shares. 3. Understand how deductions such as tax, National Insurance and pension contributions are made.</td>
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<tr>
<td>Income disposal (c)</td>
<td>1. Understand the difference between essential and nonessential spending. 2. Recognise household expenses and regular financial commitments. 3. Begin to understand the tax, pension, and National Insurance systems and how deductions are made.</td>
<td>1. Understand personal expenditure and how to manage it. 2. Understand why money, such as pension deductions, National Insurance and tax is deducted from earnings. 3. Begin to understand local and national taxation and spending.</td>
<td>1. Understand the range of personal expenditure and how it may be managed. 2. Understand local and national taxation and spending and acquire a basic understanding of how and why Government is financed.</td>
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### Summary of the Framework Continued

<table>
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<tr>
<th>Section</th>
<th>Component</th>
<th>Basic level</th>
<th>Developing level</th>
<th>Extending level</th>
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</table>
| **Gathering financial information and record keeping (d)** | 1. Recognise the need to keep money safe and the options available, e.g. at home, banks, credit unions, etc.  
2. Understand the need to keep financial records including receipts, benefit claims, council tax payments, etc.  
3. Appreciate the importance of bills, etc, as forms of identification needed for various transactions and to open accounts.  
4. Be able to keep a simple record of money coming in and going out. | 1. Understand keeping money in an account, e.g. bank, post office, building society, credit union.  
2. Know about some official financial records, e.g. bank statements, ATM services, credit card vouchers, etc.  
3. Know about personal financial statements and other ways of recording income and expenditure.  
4. Able to check for accuracy bank statements, utility and other bills. | 1. Develop an understanding of personal financial statements, including bank statements, credit card statements, TV Licence payment arrangements, utility and other bills.  
2. Able to reconcile a bank statement to allow for items not yet presented.  
3. Understand credit card statements and other loan/credit financing documents.  
4. Able to gather, compare and contrast information on financial services to inform a decision. |                                                                                                                                                                                                 |
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<tr>
<th>Section</th>
<th>Component</th>
<th>Basic level</th>
<th>Developing level</th>
<th>Extending level</th>
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</table>
| FINANCIAL SKILLS AND COMPETENCE | Risk and return (f) | 1. Understand the consequences of losing money.  
2. Understand that you need to pay to borrow money and will be paid money if you save money. | 1. Begin to understand the principles of probability and insurance.  
2. Begin to understand that both savings and borrowing are offered on differing terms and conditions.  
3. Understand that you can make money from money by saving it, and being paid interest on these savings. Also understand that if you borrow money you will pay interest on that loan.  
4. Begin to understand that interest rates vary over time. | 1. Understand the principles of probability and insurance in complex situations, identifying potential risks and how to protect against them.  
2. Understand that saving and borrowing are offered on differing terms and that interest rates vary over time.  
3. Understand that some loans and purchase agreements are secured while others are unsecured.  
4. Understand the difference in risk and return between saving and investment products.  
5. Understand the need to monitor and evaluate financial services to assess performance and relevance over time. |
| FINANCIAL RESPONSIBILITY | Personal choices and the financial implications (g) | 1. Learn to balance needs and wants and to prioritise spending.  
2. Begin to prioritise within the constraints of limited resources.  
3. Begin to understand the implications of debt.  
4. Begin to be able to discuss how satisfaction from purchases can vary.  
5. Begin to consider choices based on personal financial information gathering, identifying needs, what has to be spent, and what money is then left, if any. | 1. Begin to make decisions on the basis of short or medium term needs.  
2. Able to identify short-, medium- and long-term needs.  
3. Able to prioritise different needs working within the constraints of limited resources.  
4. Begin to be able to assess ‘best buy’ in a variety of circumstances.  
5. Begin to understand how to plan and manage debt, including beginning to look at dealing with debt in a crisis.  
6. Begin to put a financial value on differing needs and wants. | 1. Understand the difference between short-, medium- and long-term needs and be able to make appropriate decisions.  
2. Understand the difference between manageable, planned debt, and unmanageable, unplanned debt, including dealing with debt in a crisis.  
3. Able to assess ‘best buy’ in a variety of financial circumstances.  
4. Develop a knowledge and understanding of a range of generic financial products in the short-, medium- and long-term. Able to identify personal requirements, obtain information/advice, to analyse and to make decisions.  
*continued >*
### Summary of the Framework Continued

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<th>Section</th>
<th>Component</th>
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<th>Developing level</th>
<th>Extending level</th>
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<tbody>
<tr>
<td></td>
<td><strong>Personal choices and the financial implications (g)</strong></td>
<td></td>
<td></td>
<td>5. Able to analyse consumer information and understand the difference between this and advertising/marketing information.</td>
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<td>6. Able to make informed choices based on personal financial information gathering, on resources available, outgoings (both needs and wants) and the money that is left, if any.</td>
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<td>7. Able to put a personal financial value on differing needs/wants and to prioritise these within the constraints of limited resources.</td>
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<td>8. Able to undertake ongoing monitoring and evaluation of needs/wants/services based on changing life circumstances.</td>
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<td>9. Able to evaluate the choice of a particular product on lifestyle, etc.</td>
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<td>10. Able to assess the financial implications of personal life choices in terms of education, including life-long learning opportunities.</td>
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<td>FINANCIAL RESPONSIBILITY</td>
<td></td>
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<td>11. Able to make informed choices when experiencing a drop in income or other changes to financial circumstances.</td>
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<td></td>
<td><strong>Consumer rights, responsibilities and sources of advice (h)</strong></td>
<td>1. Begin to understand different sources of advice/information, how to access such information/advice, and know some local contacts, including where to get advice on managing debt.</td>
<td>1. Understand that different people and organisations may give different advice on finances.</td>
<td>1. Know about the different sources of generic financial advice, including financial advisers and Citizens Advice Bureau.</td>
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<tr>
<td>Consumer rights, responsibilities and sources of advice (h)</td>
<td>2. Be able to identify product information and be aware of the purpose of such information. 3. Know that consumers should expect to receive good service. 4. Understand that consumers have rights, and also responsibilities, such as paying for goods ordered.</td>
<td>2. Be aware of the purpose of advice, advertising and marketing information and how it might influence customer choice. 3. Understand we have responsibilities as well as rights. 4. Recognise different sources of advice to help in understanding rights and responsibilities in relation to financial services.</td>
<td>2. Know about the different sources of advice and the differences between generic and personal advice. 3. Be able to assess and compare different sources of financial advice and information. 4. Understand there are different rights and responsibilities in relation to different products. 5. Understand how to identify if it is appropriate to comment or complain and be able to access the procedures.</td>
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<tr>
<td>Implications of finance (i)</td>
<td>1. Begin to understand the consequences of having more or less money. 2. Begin to understand the roles of financial organisations.</td>
<td>1. Know about the roles of financial organisations. 2. Begin to understand that local/national finance can impact on your own life. 3. Begin to understand how local/national decisions may affect personal finances.</td>
<td>1. Understand there is an ethical, social dimension to financial decisions. 2. Understand how to plan and manage debt. 3. Understand what to do if difficulties arise in repaying debt. 4. Understand the role of regulation and consumer protection in financial institutions. 5. Develop an understanding of the wider implications of personal financial decisions, e.g. the pros and cons of ethical investment. 6. Develop an understanding of how local and national decisions may affect personal finances. 7. Develop an understanding that local, national and global finances can impact on one’s own life, e.g. through the setting of interest rates.</td>
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## THE FRAMEWORK

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**BASIC UNDERSTANDING & DEVELOPING CONFIDENCE**

**Underpinning adult literacy skills**

Speaking and listening skills at Entry 3 (SLE3) are needed for the discussions to enable understanding. At this level adults can listen and respond, speak to communicate and engage in discussion in familiar formal exchanges connected with education, training, work and social roles.

Reading skills at Entry 3 (RE3) are needed to read simple forms and information sheets. At this level adults can read and understand short straightforward texts on familiar topics and obtain information from everyday sources.

Writing skills at Entry 3 (WE3) are needed to complete simple forms and record a simple budget. At this level adults can write to communicate information with some adaptation to the intended audience.

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<tr>
<td><strong>FINANCIAL KNOWLEDGE AND UNDERSTANDING</strong></td>
<td><strong>B(a) Different types of money/payments</strong></td>
<td>1. Recognise notes and coins and understand the differences in value. 2. Recognise there are different forms of money, e.g. <strong>cheques</strong>, plastic cards, coupons, vouchers. 3. Understand cash isn’t the only way to pay for goods/services. 4. Understand different forms of exchange, e.g. money for goods/services, in-kind exchange, etc.</td>
<td>&gt; Explore shopping using money and change through family learning work. &gt; Recognise different payment methods on advertisements/shop doors/tills, etc. &gt; Explore barter methods or local exchange systems for goods/services, e.g. Lets.</td>
<td>Recognise and select coins and notes MSS1/E1.1 Add and subtract sums of money using decimal notation MSS1/E3.1</td>
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< basic understanding & developing confidence continued

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|         | **B(b) Income generation** | 1. Recognise there are regular and unpredictable sources of money and identify your sources of income.  
2. Understand money is available when there is no/insufficient work.  
3. Understand ways to increase income, e.g. work opportunities, benefits, etc. | > Explore which components of a budget are regular and those that are unpredictable, e.g. benefits, salary, overtime/piece-work, etc.  
> Discuss different forms of benefit and allowances. (Include in discussion the automation of benefit payments into an account from April 2003 and the introduction of the Universal banking service.)  
> Show how benefits and work co-exist, i.e. tax credits, etc. | Add and subtract sums of money using decimal notation MSS1/E3.1  
Round sums of money to nearest £ and 10p and make approximate calculations MSS1/E3.2  
Use a calculator to calculate using whole numbers and decimals to solve problems in context, and to check calculations N2/E3.4 |
|         | **B(c) Income disposal** | 1. Understand the difference between essential and nonessential spending.  
2. Recognise household expenses and regular financial commitments.  
3. Begin to understand the tax, pension, and National Insurance systems and how deductions are made. | > Use case studies to explore the differences between essential and nonessential spending and how different people have different priorities. (Case studies could be based on life stage events such as having children, employment, unemployment or retirement.)  
> List a number of things a person may want and why they may want them. Then rank them in order of priority – discuss this list. Look at things like peer pressure, advertising, to consider what influences choice. Wt/E3.2  
> Use a mock budget to identify regular and one-off payments, e.g. rent, utility bills, TV licence, school uniforms, funeral, etc.  
> Explore what taxes are used for and how they are collected. | |
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</table>
| FINANCIAL SKILLS AND COMPETENCE | **B(d) Gathering financial information and record-keeping** | 1. Recognise the need to keep money safe and the options available, e.g. at home, banks, credit unions, etc.  
2. Understand the need to keep financial records including receipts, benefit claims, council tax payments, etc.  
3. Appreciate the importance of bills, etc. as forms of identification needed for various transactions and to open accounts.  
4. Be able to keep a simple record of money coming in and going out. | > Explore the most appropriate place to keep sums of money. Identify the full range of options to keep money safe.  
> Gather information from a range of organisations (banks, building societies, post office, credit unions) on accounts including the basic bank account and Post Office Card Account available from April 2003. Practise filling in information required to open a bank account. Ww/E3.1  
> Use a case study of someone paying bills and then going on a spending spree to show how to keep track of spending and income.  
> Discuss why you would need to keep financial records, e.g. bills, as a form of identification.  
> Look at mock bank statements to understand the terminology. Rw/E3.1  
> Look at predicted income and expenditure for a student in FE/HE. | Add and subtract sums of money using decimal notation MSS1/E3.1  
Represent information so that it makes sense to others HD1/E2.5  
Use a calculator to calculate using whole numbers and decimals to solve problems in context and to check calculations N2/E3.4  
Read, measure and record time MSS1/E3.3 |

| FINANCIAL SKILLS AND COMPETENCE | **B(e) Financial planning – saving, spending, budgeting** | 1. Begin to understand that saving can offer options for future spending.  
2. Begin to understand the different ways of saving.  
3. Be able to consider different possibilities for spending money.  
4. Identify items that may not be bought from regular income.  
5. Use simple budgets to plan and control spending – begin to plan ahead including considering long-term saving/pensions. | > Consider when it is best to buy now or save and buy later.  
> Discuss the range of places where money can be saved.  
> Discuss the different ways of spending a windfall/unexpected sum of money.  
> Look at how you would spend a lump sum gained on retirement.  
> Discuss the different ways for spending a weekly salary. | Use a calculator to calculate using whole numbers and decimals to solve problems in context and to check calculations N2/E3.4  
Add and subtract sums of money using decimal notation MSS1/E3.1  
Represent information so that it makes sense to others HD1/E2.5 |

continued >
### Framework – Basic Understanding & Developing Confidence Continued

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|         | B(e) Financial planning – saving, spending, budgeting | > Consider the need to buy furniture or a car and the different ways of paying.  
> Use a case study to predict future spending needs and record a budget to plan for them. (Use events such as redundancy/illness – consider priority household payments such as the TV Licence.)  
> Investigate a credit union to understand the services they offer and how they could assist with budgeting. |   | |
|         | B(f) Risk and return | 1. Understand the consequences of losing money.  
2. Understand that you need to pay to borrow money and will be paid money if you save money. | > Discuss how money/items would be replaced if lost/stolen and the possible safeguards, introducing the idea of insurance.  
> Discuss that money can be lost or gained through investments or gambling and different people’s views on both of these.  
> Investigate methods of saving to show that money is paid in the form of interest. |   |
|         | B(g) Personal choices and the financial implications | 1. Learn to balance needs and wants, and to prioritise spending.  
2. Begin to prioritise within the constraints of limited resources.  
3. Begin to understand the implications of debt.  
4. Begin to be able to discuss how satisfaction from purchases can vary. | > Discuss essential and nonessential spending and how different people have different priorities.  
> Discuss the power of advertising on different financial choices.  
> Explore identifying needs which encompass self and dependants (present and future).  
Add and subtract sums of money using decimal notation MSS1/E3.1  
Represent information so that it makes sense to others HD1/E2.5 |   |

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<td><strong>B(g) Personal choices and the financial implications</strong></td>
<td>5. Begin to consider choices based on personal financial information gathering, identifying needs, what has to be spent, and what money is then left, if any.</td>
<td>&gt; Discuss long-term desires compared to immediate wants. It could be argued that people who are able to prioritise their long-term desires over their short-term ones are often more able to achieve their goals – but we need to satisfy some short-term desires to make life fun.</td>
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<td>&gt; Discuss the criteria used to decide on supermarket purchases e.g. well-known brand versus supermarket brand versus fairly traded products.</td>
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<td>&gt; Use life stage events to identify priorities, e.g. having children, marriage, unemployment, etc.</td>
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<td>&gt; Use a case study on the implications of being in debt, maybe arising from divorce, bereavement, unemployment, etc.</td>
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<td>&gt; List the different forms of debt.</td>
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<td>&gt; Use group work to discuss when people have been dissatisfied with a purchase bought on a whim. (Retail therapy.)</td>
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<td>&gt; Use budgets to look at future needs/wants and begin to discuss planning for emergencies or luxuries.</td>
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<td><strong>B(h) Consumer rights, responsibilities and sources of advice</strong></td>
<td>1. Begin to understand different sources of advice/information, how to access such information/advice, and know some local contacts, including where to get advice on managing debt.</td>
<td>&gt; Research potential sources of advice locally, e.g. friends, family, CAB, voluntary organisations, credit unions, etc.</td>
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<td>2. Be able to identify product information and be aware of the purpose of such information.</td>
<td>&gt; Look at the features that make up product information and discuss how you could access the information.</td>
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<td>&gt; Use case studies to illustrate good or bad service.</td>
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### Section Component Skills, knowledge and understanding Illustrations Underpinning adult numeracy skills

#### FINANCIAL RESPONSIBILITY

**B(h) Consumer rights, responsibilities and sources of advice**  
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<td>3. Know that consumers should expect to receive good service.</td>
<td>&gt; Establish when a faulty product can be returned.</td>
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<td>4. Understand that consumers have rights, and also responsibilities, such as paying for goods ordered.</td>
<td>&gt; Discuss what happens when a service has gone wrong, e.g. a hairdresser cuts your hair in a way you don’t like. You have rights of redress but you also have responsibilities too – to accurately describe what haircut you wanted in the first place.</td>
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**B(i) Implications of finance**

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<td>1. Begin to understand the consequences of having more or less money.</td>
<td>&gt; Use a case study where someone has debt problems outside their control resulting in a shortfall in cash.</td>
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<td>2. Begin to understand the roles of financial organisations.</td>
<td>&gt; Discuss the financial implications of divorce, unemployment, bereavement or retirement.</td>
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<td>&gt; Research different types of financial organisation, e.g. bank, post office, Credit Union.</td>
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DEVELOPING COMPETENCE AND CONFIDENCE

Underpinning adult literacy skills

Speaking and listening skills at Level 1 (SLL1) are needed for the discussions to enable understanding. At this level adults can listen and respond, speak to communicate and engage in discussion in formal exchanges connected with education, training, work and social roles.

Reading skills are required at Level 1 (RL1). At this level adults can read, understand and obtain information in reports, instructional, explanatory and persuasive texts.

Writing skills at Level 1 (WL1) are needed to complete forms, write simple letters and record a budget. At this level adults can write to communicate information, ideas and opinions clearly using length, format and style appropriate to purpose and audience.

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<tr>
<td>FINANCIAL KNOWLEDGE AND UNDERSTANDING</td>
<td>D(a) Different types of money/payments</td>
<td>1. Understand that money means different things to different people.</td>
<td>&gt; Collect and exchange stories and phrases on attitudes to money.</td>
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<td>2. Understand that cash isn’t the only way to pay for goods and services, and recognise the alternatives.</td>
<td>&gt; Investigate different payment methods, e.g. mail order, catalogue, internet.</td>
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<td>3. Understand different forms of payments including cheques, cheque guarantee cards and debit cards.</td>
<td>&gt; Calculate the cost of an item and write a cheque or use a debit card.</td>
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<td>&gt; Pay utility bills using cheques.</td>
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<td>&gt; Compare paying utility bills by prepayment, cash, monthly, quarterly or direct debit.</td>
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<td>Read, write, order and compare numbers, including large numbers. N1/L1.1</td>
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<td>Order and compare percentages, and understand percentage increase and decrease. N2/L2.7</td>
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### Adult Financial Capability Framework

#### Section Component Skills, knowledge and understanding Illustrations Underpinning adult numeracy skills

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| **D(a) Different types of money/payments** | 4. Understand and compare different forms of payment including standing orders and direct debit arrangements.  
5. Understand the key words credit and debt and relate these terms to any savings and borrowing currently undertaken. | > Collate examples of everyday credit and debt, e.g. TV cash easy entry scheme, buying from a catalogue. | Add, subtract, multiply and divide sums of money and record MSS/L1.1  
Add, subtract, multiply and divide decimals up to two places N2/L1.5 |
| **< continued** | | | |
| **D(b) Income generation** | 1. Understand how earnings and salaries are calculated.  
2. Understand there are different forms of benefit, where the money comes from to pay them and how to access them.  
3. Begin to understand the need for retirement provision. | > Calculate weekly/monthly take home pay from an annual salary.  
> Discuss salaries and deductions when someone is about to enter employment.  
> Gather together several simple benefit leaflets and look at the financial terms used and the main points made. Rt/L1.3  
> Explore the implications of budgeting on a state pension; especially with people approaching retirement. | Find the arithmetical average (mean) for a set of data HD1/L1.3  
Represent information so that it makes sense to others HD1/E2.5  
Add, subtract, multiply and divide sums of money and record MSS/L1.1  
Percentages N2/L2.7-10 |
| **D(c) Income disposal** | 1. Understand personal expenditure and how to manage it.  
2. Understand why money, such as pension deductions, National Insurance and tax is deducted from earnings.  
3. Begin to understand local and national taxation and spending. | > Compare case studies with different spending levels to demonstrate how money can be managed.  
> Discuss the need to pay tax, etc, and use mock salary slips to show salaries and to identify the different deductions.  
> Discuss what taxes could and should be used to fund.  
> Draw up lists of items on local and national taxation and the differences between them. | Add, subtract, multiply and divide sums of money and record MSS/L1.1  
Percentages N2/L2.7-10 |
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<td><strong>D(d) Gathering financial information and record-keeping</strong></td>
<td>1. Understand keeping money in an account, e.g. bank, post office, building society, credit union.</td>
<td>&gt; Investigate different types of a/c for everyday use and the advantages and disadvantages of each option. (Including basic bank accounts and the Post Office Card Account.)</td>
<td>Extract and interpret information HD1/L1.3</td>
<td>Add, subtract, multiply and divide sums of money and record MSS1/L1.1</td>
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<td>2. Know about some official financial records, e.g. bank statements, ATM services, credit card vouchers, etc.</td>
<td>&gt; Compare suitability of different accounts at various life stage events, e.g. starting work.</td>
<td>Collect, organise and represent discrete data HD1/L1.2</td>
<td>Add, subtract, multiply and divide decimals up to two places N2/L1.5</td>
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<td>3. Know about personal financial statements and other ways of recording income and expenditure.</td>
<td>&gt; Explore examples of financial records and discuss the terminology/layout.</td>
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<td>4. Able to check for accuracy, bank statements, utility and other bills.</td>
<td>&gt; Use a case study on organising a social event – keeping track of receipts/ticket sales, etc.</td>
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<td>&gt; Check receipts and bills against a statement. Compare meter readings to a utility bill.</td>
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<td><strong>D(e) Financial planning – saving, spending, budgeting</strong></td>
<td>1. Understand the need to consider saving and the potential benefits.</td>
<td>&gt; Compare saving to pay utility bills quarterly by direct debit to prepayment.</td>
<td>Add, subtract, multiply and divide sums of money and record MSS1/L1.1</td>
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<td>2. Understand the variety of ways and places to save.</td>
<td>&gt; Consider regular and one-off savings including access to funds and rate of return.</td>
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<td>3. Begin to be able to plan and think ahead.</td>
<td>&gt; Use family learning opportunities to identify future spending on children. (Include exploring the implications of the Savings Gateway and the Child Trust Fund.)</td>
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<td>4. Understand how to use budgets to plan and control personal spending.</td>
<td>&gt; Use mock figures to build a uniform annual budget using a variety of weekly, monthly, quarterly and annual figures.</td>
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<td>5. Begin to understand the difference between long-term and short-term financial commitments and how planning and decision-making for these differs. (Information is gathered based on identified needs, then analysed, a decision is made and the result evaluated.)</td>
<td>&gt; Use budget case studies to show how adjustments can increase/decrease cash available.</td>
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<td>&gt; Consider the best way to pay for various items, e.g. food, a holiday, house, etc.</td>
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<td>D(f) Risk and return</td>
<td>1. Begin to understand the principles of probability and insurance. &lt;br&gt;2. Begin to understand that both savings and borrowing are offered on differing terms and conditions. &lt;br&gt;3. Understand that you can make money from money by saving it, and being paid interest on those savings. Also understand that if you borrow money you will pay interest on that loan. &lt;br&gt;4. Begin to understand that interest rates vary over time.</td>
<td>&gt; Discuss what types of insurance are best for set circumstances, e.g. life insurance, flood, theft. &lt;br&gt; &gt; Gather different account information showing different interest rates and accessibility. Discuss the best place for short-, medium- or long-term needs. &lt;br&gt; &gt; Practise saying the information you would need to give over the phone when reporting an insurance claim. SLc/L1.3 &lt;br&gt; &gt; Compare interest rates for saving or borrowing now and one month or one year ago. (Begin to understand the impact of inflation on return from savings.)</td>
<td>Show that some events are more likely to occur than others HD2/L1.1 &lt;br&gt; Order and compare percentages, and understand percentage increase and decrease N2/L2.7</td>
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<td>D(g) Personal choices and the financial implications</td>
<td>1. Begin to make decisions on the basis of short- or medium-term needs. &lt;br&gt;2. Able to identify short-, medium- and long-term needs. &lt;br&gt;3. Able to prioritise different needs working within the constraints of limited resources. &lt;br&gt;4. Begin to be able to assess ‘best buy’ in a variety of circumstances. &lt;br&gt;5. Begin to understand how to plan and manage debt, including beginning to look at dealing with debt in a crisis. &lt;br&gt;6. Begin to put a financial value on differing needs and wants.</td>
<td>&gt; Compare the cost of daily, weekly or monthly travel cards. &lt;br&gt; &gt; Use a case study to look at different life stages and various needs at different times. &lt;br&gt; &gt; Set a budget for the month of December and decide how to spend the money on both essentials and luxuries for Christmas. &lt;br&gt; &gt; Compare big name brands versus supermarket brands using supermarket price labels. Is the biggest name always the best value? &lt;br&gt; &gt; Compare different retail ‘deals’, e.g. £150 item with 20% off compared with £20 off. &lt;br&gt; &gt; Compare the cost of a washing machine when buying on credit or saving up. &lt;br&gt; &gt; List different forms of debt and put them into order of priority.</td>
<td>Read, measure and record time, including knowing the units of time MSS1/L1.2 &lt;br&gt; Read, write, order and compare decimals up to three decimal places N2/L1.4 &lt;br&gt; Add, subtract, multiply and divide decimals up to two places N2/L1.5 &lt;br&gt; Find simple percentage parts of quantities N2/L1.9</td>
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<td><strong>D(h) Consumer rights, responsibilities and sources of advice</strong></td>
<td>1. Understand that different people and organisations may give different advice on finances.</td>
<td>&gt; Discuss the different sorts of advice you might receive from friends, family, banks, voluntary orgs, CAB, IFAs (tied and independent/fee-charging), fee-charging debt management/consolidation companies, etc.</td>
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<td>2. Be aware of the purpose of advice, advertising and marketing information and how it might influence customer choice.</td>
<td>&gt; Draw up a list of questions to ask an adviser. SLC/L1.2</td>
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<td>3. Understand we have responsibilities as well as rights.</td>
<td>&gt; Investigate how you could check the credentials of a product before purchase.</td>
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<td>4. Recognise different sources of advice to help in understanding rights and responsibilities in relation to financial services.</td>
<td>&gt; Discuss the issues of ownership and not taking what doesn’t belong to you. SLD/L1.1-3</td>
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<td>&gt; Undertake research into local sources of advice and discuss how these explained rights and responsibilities. (An example could be discussing extended warranties with a local CAB to see how much more protection these give than your rights under consumer law.)</td>
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<td><strong>D(I) Implications of finance</strong></td>
<td>1. Know about the roles of financial organisations.</td>
<td>&gt; Compare banking on the high street, online and via supermarkets.</td>
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<td>2. Begin to understand that local/national finance can impact on your own life.</td>
<td>&gt; Discuss how changes in the annual Government budget affect an individual’s spending.</td>
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<td>3. Begin to understand how local/national decisions may affect personal finances.</td>
<td>&gt; Consider the effects of a slow-down in the economic cycle on personal circumstances, e.g. downturn in the stock market and the impact on pensions.</td>
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<td>&gt; Discuss how local council changes may alter council tax rates and spending.</td>
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**EXTENDING COMPETENCE AND CONFIDENCE**

**Underpinning adult literacy skills**

Speaking and listening skills at Level 2 (SLL2) are needed for the discussions to enable understanding. At this level adults can listen and respond, speak to communicate and engage in discussion in a wide range of formal exchanges.

Reading skills are required at Level 2 (RL2). At this level adults can read, understand and obtain information in a wide range of text types.

Writing skills at Level 2 (WL2) are needed to write letters, complete complicated forms and write up research. At this level adults can write to communicate information, ideas and opinions clearly and effectively, using length, format and style appropriate to purpose, content and audience.

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| FINANCIAL KNOWLEDGE AND UNDERSTANDING | E(a) Different types of money, payments | 1. Understand the implications of different forms of credit and debt including credit cards, store cards and catalogue shopping.  
2. Understand that exchange rates fluctuate and that commission may be charged to change currency.  
3. Acquire increased understanding of the implications of credit and debt including overdrafts and different loan arrangements and ways to compare interest rates. | > Compare the cost of paying cash with using a credit card or making catalogue shopping repayments.  
> Compare buying currency for a foreign holiday through a bank, a travel agent and through the Internet.  
> Select an item to purchase and investigate different deals comparing rates and conditions, eg, APR. | Extract discrete and continuous data HD1/L2.1  
Calculate with sums of money and convert between currencies MSS1/L2.1  
Percentages N2/L2.7-10 |
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<td><strong>E(b) Income generation</strong></td>
<td>1. Understand the need for money in retirement – pension – and how this could be paid for. 2. Begin to understand how companies and other organisations are financed, including shares. 3. Understand how deductions such as tax, national insurance and pension contributions are made.</td>
<td>&gt; Consider where the state pension comes from and other provisions that could act to supplement it, e.g. pensions (stakeholder, occupational, personal), investments, saving, property. &gt; Discuss the implications at different life stages, e.g. action to consider when starting work or when less money is available due to unemployment. &gt; Compare voluntary organisations to private companies. Use the Financial Times or teletext to follow shares and explain the stock market. &gt; Use mock salary slips to show salaries and to calculate deductions.</td>
<td>Percentages N2/L2.7-10 Use fractions to order and compare amount or quantities (e.g. overtime) N2/L2.1</td>
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<td><strong>E(c) Income disposal</strong></td>
<td>1. Understand the range of personal expenditure and how it may be managed. 2. Understand local and national taxation and spending and acquire a basic understanding of how and why Government is financed.</td>
<td>&gt; Catalogue personal expenditure and identify where spending could be increased/decreased. &gt; Undertake research into Government funding and the different uses for local and national taxation. &gt; Know what VAT is and how to calculate it.</td>
<td>Calculate with sums of money and convert between currencies MSS1/L2.1 Read, write, order and compare positive and negative numbers of any size in a practical context N1/L2.1 Percentages N2/L2.7-10</td>
<td>Mod 3.1 Assessing resources</td>
</tr>
<tr>
<td><strong>E(d) Gathering financial information and record-keeping</strong></td>
<td>1. Develop an understanding of personal financial statements, including bank statements, credit card statements, TV Licence payment arrangements, utility and other bills.</td>
<td>&gt; Collect/interpret a range of bills and statements to compare the differences and similarities. &gt; Use a case study with credits/debits to check against a statement and balance with a cheque book.</td>
<td>Read, write, order and compare positive and negative numbers of any size in a practical context N1/L2.1 Extract discrete and continuous data from tables, charts and line graphs HD1/L2.1</td>
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### Extending Competence and Confidence

#### Financial Skills and Competence

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| E(d)    | Gathering information and record-keeping | 2. Able to reconcile a bank statement to allow for items not yet presented.  
3. Understand credit card statements and other loan/credit financing documents.  
4. Able to gather, compare and contrast information on financial services to inform a decision. | > Compare the implications of making the minimum payment, no payment or the full payment on a credit card statement and decide what to do.  
> Collate a range of information on one product/service from many sources. Compare key data/features, including ‘small print’. (Examples could include, investments, pensions, mobile phone contracts.) Rt/L2.6  
> Gather information from different utility suppliers to compare prices/terms. | Calculate, measure and record time in different formats MSS1/L2.2 |
|         |           |                                     |               |                                   |                 |
| E(e)    | Financial planning – saving, sending, budgeting | 1. Understand ways in which to plan, monitor and control personal income and expenditure.  
2. Fully understand the difference between short-, medium- and long-term financial commitments and how the planning and decision-making for these differ.  
3. Able to obtain information and analyse it to decide on an appropriate service, taking care to evaluate and monitor the situation on an ongoing basis.  
4. Begin to understand local government finances (council tax) and the national budget. | > Investigate different ways of keeping track of money, including spreadsheets, budgets, predictions on investment returns, etc.  
> Understand weekly budget schemes to pay an annual cost, e.g. TV Licence payments scheme.  
> Ask individuals to identify their potential short-, medium- and long-term commitments, e.g. saving for children’s further or higher education, getting married, buying a holiday, house, furniture, etc.  
> Use an identified investment need to gather information and advice, make an analysis and discuss possible decisions.  
> Council tax statements used to discuss spending. Also the national budget statement. | Mod 1  
Choosing financial products  
Mod 2.1  
Borrowing money  
Mod 2.3  
Saving money  
Mod 3.2  
Setting financial priorities  
Mod 3.3  
Reviewing plan |
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<td>E(f) Risk and return</td>
<td>1. Understand the principles of probability and insurance in complex situations, identifying potential risks and how to protect against them.</td>
<td>&gt; Investigate life, health, critical illness insurance, mortgage protection plans, accident, sickness, unemployment cover. Compare costs and benefits including commission.</td>
<td>Order and compare percentages, and understand percentage increase and decrease N2/L2.7</td>
<td>Mod 1 Choosing financial products</td>
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<td>2. Understand that saving and borrowing are offered on differing terms and that interest rates vary over time.</td>
<td>&gt; Complete a house insurance claim form using the information from a case study. Wt/L2.3</td>
<td>Calculate with sums of money and convert between currencies MSS1/L2.1</td>
<td>Mod 2.2 Insurance</td>
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<td>3. Understand that some loans and purchase agreements are secured while others are unsecured.</td>
<td>&gt; Compare rates of return on savings over one or five years. Which offers the best return if you need your money in an emergency?</td>
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<td>Mod 2.4 Investment</td>
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<td>4. Understand the difference in risk and return between saving and investment products.</td>
<td>&gt; Investigate the differences between credit cards and store cards, catalogues, hire purchase (HP) and credit deals where there is interest free credit if you pay on time and look at the implications for failing to pay.</td>
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<td>5. Understand the need to monitor and evaluate financial services to assess performance and relevance over time.</td>
<td>&gt; Gather information on credit cards or mortgages to compare secured and unsecured loans. Discuss what happens if repayments cannot be met.</td>
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<td>&gt; Discuss the differences between deposit-based saving and equity-based investments. What effect could each have on the capital invested? Discuss the pros and cons of each.</td>
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<td></td>
<td>&gt; Use a case study on managing risk over time, including pension planning.</td>
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<td></td>
<td>&gt; Use a case study to review the performance of savings (including tax-free saving initiatives), investments and mortgages to see if different financial choices should be made and to consider potential penalties.</td>
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# Financial Responsibility

**E(g) Personal choices and the financial implications**

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<td>1.</td>
<td>Understand the difference between short-, medium- and long-term needs and be able to make appropriate decisions.</td>
<td>Use case studies to look at different needs at different life stages and the financial implications. (Examples include employment, unemployment, having children, getting married, divorce, retirement, etc.)</td>
<td>Calculate, measure and record time in different formats MSS1/L2.2</td>
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<td>2.</td>
<td>Understand the difference between manageable, planned debt and unmanageable, unplanned debt including dealing with debt in a crisis.</td>
<td>Discuss when debt becomes unmanageable and the sources available to help, e.g. Citizens Advice Bureaux.</td>
<td>Calculate ratio and proportion</td>
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<td>3.</td>
<td>Able to assess ‘best buy’ in a variety of financial circumstances.</td>
<td>Use consumer information to compare products and ways of financing purchases. (You could use mobile phone payments and contracts as an example.)</td>
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<td>4.</td>
<td>Develop a knowledge and understanding of a range of generic financial products in the short-, medium- and long-term. Able to identify personal requirements, obtain information/advice, to analyse and to make decisions.</td>
<td>Obtain a range of information on an appropriate product, e.g. basic bank a/c. Compare the terms, the advice available and the suitability of each product.</td>
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<td>5.</td>
<td>Able to analyse consumer information and understand the difference between this and advertising/marketing information.</td>
<td>Research a range of information on a product and decide which is advertising and which contains true consumer information.</td>
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<td>6.</td>
<td>Able to make informed choices based on personal financial information gathering, on resources available, outgoings (both needs and wants) and money that is left, if any.</td>
<td>Use the FSA Learn Online financial planning section to work through making informed choices.</td>
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<td>7.</td>
<td>Able to put a personal financial value on differing needs/wants and to prioritise these within the constraints of limited resources.</td>
<td>Investigate balancing eating healthily and budget buying.</td>
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continued >
### Section: Financial Responsibility

#### Component: Personal choices and the financial implications

- **E(g)** Personal choices and the financial implications

  < continued

8. Able to undertake ongoing monitoring and evaluation of needs/wants/services based on changing life circumstances.

9. Able to evaluate the choice of a particular product on lifestyle.

10. Able to assess the financial implications of personal life choices in terms of education, including lifelong learning opportunities.

11. Able to make informed choices when experiencing a drop in income or other changes to financial circumstances.

- > Investigate the financial implications of education/training opportunities both long- and short-term.

- > Consider opportunities to up-skill or retrain and the implications of doing so on finances.

- > Use case studies to discuss a course of action relevant to someone’s changed circumstances. Consider the advice available and look at how to plan ahead.

#### Component: Consumer rights, responsibilities and sources of advice

1. Know about the different sources of generic financial advice, including financial advisers and Citizens Advice Bureaux.

2. Know about the different sources of advice and the differences between generic and personal advice.

3. Be able to assess and compare different sources of financial advice and information.

4. Understand there are different rights and responsibilities in relation to different financial products.

5. Understand how to identify if it is appropriate to comment or complain and be able to access the procedures.

- > Ask a local CAB representative, an independent and a tied financial adviser to explain the advice they would offer.

- > Use case studies to identify the most appropriate sources of advice/information in different circumstances.

- > Compare the terms of loans from a bank and a credit union.

- > Discuss a case study to identify if a product is inadequate and to investigate the procedures to complain, etc.

- > Write a letter of complaint. Wt/L2.1-7

- > Order and compare percentages, and understand percentage increase and decrease N2/L2.7
### < extending competence and confidence

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| FINANCIAL RESPONSIBILITY | E(i) Implications of finance | 1. Understand there is an ethical, social dimension to financial decisions.  
2. Understand how to plan and manage debt.  
3. Understand what to do if difficulties arise in repaying debt.  
4. Understand the role of regulation and consumer protection in financial institutions.  
5. Develop an understanding of the wider implications of personal financial decisions, e.g. the pros and cons of ethical investment.  
6. Develop an understanding of how local and national decisions may affect personal finances.  
7. Develop an understanding that local, national and global finances can impact on one's own life, e.g. through the setting of interest rates. | - Discuss the environmental impact of different products. Is it worth paying more not to damage the environment?  
- A list of products could be read over with a price for each. Then the production conditions for each product could be exposed. Discuss whether they would still purchase the product?  
- Use a case study illustrating the effect of ‘bad debt’, i.e., debt that cannot be repaid, on an individual.  
- Illustrate what happens if people cannot repay different creditors – which creditors are more important?  
- Explore information on debt management companies to see how they work.  
- Research how consumers are protected from bad financial advice or the collapse of financial organisations.  
- Discuss the pros and cons of ethical investment.  
- Use case studies to discuss how changes in tax/benefits impact on individuals.  
- Find out how interest rates are set and consider the impact of high/low interest rates. (Example could be buying a house and the impact of a change to interest rates on mortgages.) | Order and compare percentages, and understand percentage increase and decrease. N2/L2.7 | |
accidental damage
some contents insurance policies allow you to claim for accidental damage. It is the damage done to your possessions by accident, for example, if you spill paint over your carpet.

accommodation
where you live. This includes living with your parents, in a hostel, renting somewhere or buying on a mortgage.

account
this is the service provided by a bank or building society that holds money for you. A current account is an everyday account for money to be paid in or taken out – it helps you budget and manage your money and pay for things in a convenient and secure way. A deposit account is for savings. Account is sometimes written a/c.

AER
stands for annual equivalent rate. This shows what the interest rate would be if the interest on savings were paid and added to savings at the end of each year. Actually interest is often paid more often, such as four times a year, but the AER is worked out in a standard way so you can compare interest rates more easily. The higher the AER, the better the return is on your savings.

after tax
means what you are left with after tax has been paid. You must pay tax on most types of income (such as interest from savings, earnings from your job and pensions), but everyone can have some income tax-free. In 2003–4, the tax-free allowance for people under age 65 was £4615. Older people may get a higher allowance.

all-risks
this means your possessions are covered by your house contents insurance policy even though you have taken them outside your home.

a.m.
stands for ‘ante meridiem’ which is Latin for ‘before noon’ and so means in the morning.

annually
every year.

APR
is the Annual Percentage Rate. This tells you the cost of a loan, taking into account the interest you pay, any other charges and when the payments fall due. The cost is standardised as an annual percentage rate so you can easily compare the cost of one loan with another e.g. a loan with an APR of 15% is more expensive than one with an APR of 11%.

ATM
an Automated Teller Machine is a cash-dispensing machine, which you find in many places, including banks, shopping centres and railway stations. To use an ATM you need a cash withdrawal card and a Personal Identification Number (PIN). People often refer to ATMs as a cashpoint or ‘hole in the wall’.

available credit
this is the amount of money the store card or credit card company will lend you now. That is, your credit limit less the amount you have already borrowed. You can use this money to buy goods or as a loan.
balance
is the amount of money you have in your account at any particular time or which you owe on your credit or store card. It will be shown on your statement.

balance brought forward
the balance that was shown on your last statement.

bank
a commercial organisation that undertakes to provide a range of financial services, such as current and deposit accounts. Banks must be authorised to be able to take your money.

bank statement
see statements

basic bank account
a service from a bank or building society which lets you pay in money, get cash out and pay bills. It doesn’t let you spend more than you have in your account, so there’s no risk of going overdrawn and running up overdraft charges.

borrowing
getting money from someone else that you intend to pay back. You might borrow informally from friends and family or take out a formal loan with a written agreement from a bank or building society.

bounced cheque
a cheque the bank refuses payment on because there is not enough money in the account of the person who wrote it. The bank usually sends the cheque back to the person it was written out to (the payee). The cheque is marked ‘return to drawer’. When this happens you have to ask the person who wrote the cheque to give you cash instead or to put some money in their account. The bank will generally charge the person who wrote the cheque for doing so.

budget
a plan of spending.

building society
an organisation that is owned by its members, who are some or all of the customers saving with or borrowing from the society. Building societies often offer a range of financial services and are similar to banks. Building societies must be authorised to take your money.

calendar month
the months on the calendar e.g. January, February etc. The calendar months are generally longer than four weeks.

capital
the amount of money you originally save or invest, before any interest, other return or loss is taken into account. It could also be an amount of money that you have borrowed.

cash card/cash machine card
a card that lets you use a cash machine (ATM or hole-in-the-wall) to withdraw money, check your balance or print a mini-statement.

cashflow
a record of all the money coming into the business less all the payments as they are made, measured over a particular time.

cash inflow
the receipts of your business. If your receipts are bigger than your payments, you have a net cash inflow.

cash outflow
payments out of your business. If your receipts are less than your payments, you have a net cash outflow.
catalogue  
goods are shown in the pages of the catalogue. You can buy them on credit and pay in weekly or monthly instalments. The goods will usually be delivered by post. The price of the goods in the catalogue may be more than the price in a shop.

charges  
fees and interest which you have to pay, for example, when you borrow money or buy on credit.

cheque  
a written instruction to a bank to pay someone money. You can write out cheques to yourself to get money out of your account or write them to other people to pay them money, if you have your own chequebook with your current account.

cheque guarantee card  
a plastic card issued by a bank or building society which guarantees that the amount of money on any cheque you write will be paid whether or not there is enough money in the account. There is a limit to the amount guaranteed – £100 or £250 are common amounts.

Child Trust Fund  
a Government proposal to give every new-born child a sum paid into a special account. On reaching the age of 18 the child would be able to withdraw the money which should have grown in value.

Citizens Advice Bureau (CAB)  
a local office where you can get help with a range of problems, including your finances or debts. To find your local CAB look in Yellow Pages or ask at the Library.

clearing  
is the time between paying cash or a cheque into your bank account and the money being available to spend or withdraw.

compound interest  
interest rates are usually compounded – so the amount paid on savings is based on the capital plus the interest paid so far (provided you have not taken anything out of the account). This also works for loans – so the amount you owe can increase dramatically over quite a small time.

consumer  
when you buy something you are a consumer.

Council Tax  
is the tax paid to the local council for local services. For example, libraries, police, local roads, etc.

credit  
if an account is ‘in credit’ that means there is some money in it that is available to be spent. If you obtain goods or services ‘on credit’ it means that someone (for example, a bank or credit institution) has given you the money to make the purchase – they have credited you with the money. You must pay the money back. If you do not pay your credit card on time, or have a history of not paying back other loans, this will be shown on your file held by a credit reference agency. When shops or banks check your creditworthiness and see this information has been listed, you may find it very difficult to get a loan.
credit card
a plastic card issued by a bank or building society that allows you to make purchases now and pay for them later. Credit will be made available to you to buy the goods. Every month the bank or building society will send you a statement of your account. You must pay back at least a minimum amount each month and interest will be charged if you do not pay off the full amount borrowed.

credit limit
the maximum amount you can borrow from a credit company or on a storecard at any one time.

credit record
your details held by a credit reference agency. It includes whether you appear on the Electoral Roll, your name and address from the Electoral Roll, how you have handled previous credit, and any other credit checks made about you.

credit reference agency
an agency that holds information on adults. This information includes public records (e.g. Electoral Roll entries), credit account information (e.g. repayment records for loans, credit, mortgage, hire purchase) and records of credit checks that have previously been made.

credit risk
the chance that you might not repay your loan or credit.

credit score
a score given by a shop or credit agency to you based on your personal and financial circumstances. It helps them to decide whether you are likely to repay the loan you are asking for.

Credit Union
a non-profit making co-operative savings association that makes loans to its members at a low interest rate and encourages saving.

creditor
a person you owe money to.

current account
a bank or building society account which helps you to manage your money, pay bills, receive money and keep money secure. It offers more services than a basic bank account, for example, you get a cheque book.

debit
money which is taken out of an account is ‘debited from’ that account.

debit card
a plastic card that can be used instead of cash when making a purchase. The amount spent is taken automatically by computer from the account of the person who owns the card – it is debited from the account. Some cards (such as Switch and Delta) could let you spend money you have not got in your account – the balance is not always checked at the time of purchase. Other cards (such as Solo and Electron) only allow the purchase to go ahead if there is enough money in the account – it is always checked. A debit card is useful when paying in shops, shopping by phone or on the internet.

debt
if you are in debt you owe money to someone e.g. to a bank.
debtor
a person who owes someone money.

defaulted
failed to make payments; or failed to pay off the debt.

dependants
people who are financially dependent on you for their livelihood. This is usually children who live with you, but it could be an elderly relative or someone you care for.

deposit
an amount of money you pay to make sure you get the goods. You may need to pay a deposit when getting goods on credit. Also when you put money into a bank account you make a deposit.

Direct Debit
an arrangement where you instruct the bank to release money from your account to pay bills and other amounts automatically. The billing company requests the money from the bank directly. You are told in advance, in writing, how much will be taken and the date it will be taken out of your account.

discount
money which is taken off the price of something. You may need to collect coupons or vouchers before claiming the discount. Sometimes shops give a discount to their employees.

dormant
means no longer used.

Electoral Roll
a list of names and addresses of people over 18 in the UK. You are required by law to register to be on the Electoral Roll. You can then vote in elections. The Electoral Roll is checked when you make an application for credit.

employee
someone who is paid to work for someone else. The person who you work for is your employer.

employee NIC
stands for employee National Insurance Contributions. This is a form of additional taxation and is taken off your pay before you get it. You usually need to make contributions before you can claim certain state benefits, such as a State Pension when you retire.

expires
this word appears on plastic cards – after this date your card cannot be used.

fee
a sum of money you pay, for example, to have a loan or credit arranged for you.

finance company
a company which makes money by lending to people who want to buy goods on credit. Most shops use finance companies for their credit deals.

financial
to do with money.

Financial Adviser
an individual or a firm that can assess your financial needs, recommend suitable products, and arrange for you to buy or invest in these products. Some advisers can also manage investments for you. Where advice
concerns ‘packaged products’ (such as unit trusts, open-ended investment companies, investment trust savings schemes, investment-type life insurance and pensions), an adviser must normally be either:

> tied to a single product provider; or

> independent and able to recommend any product on the market.

An adviser must be authorised by the Financial Services Authority (FSA).

financial records
includes statements, bills, receipts, etc.

first £50 of damage (also called an ‘excess’)
some contents insurance policies ask you to pay the first £50 (or other amount) cost of the damage. The insurer then pays for anything more than this.

free buffer zone
some bank or building society accounts have a buffer zone, which is a free temporary overdraft. You will not be charged for being very slightly overdrawn on this basis.

gross
indicates an amount from which certain items have yet to be deducted.

gross interest
interest on savings before any tax is taken off.

gross pay
your pay before anything is taken away from it, like income tax and National Insurance Contributions.

gross profit
in a business – the money you make from selling your goods and services less the cost of materials or making the goods.

hire purchase
you take away the goods and can use them but you agree to make regular payments for a set length of time. Once you have made all the payments, the goods become yours. Cars are often bought this way. You do not own the car until you have completed the hire purchase agreement – which means you cannot sell the car until you have paid for it.

index-linked
index-linking means that the value of the financial product or service (e.g. pension, savings certificate) is increased in line with an index (e.g. the Retail Price Index, or inflation).

If your contents insurance is index linked the insurer generally works out how much you need to increase your cover by each year.

instalments
weekly or monthly repayments made to pay for goods bought on credit or to pay off a loan taken out to buy them.

instant access
means you can get your money back immediately without having to wait for any notice period.

insurance (buildings/content)
insurance taken out to cover the house itself (buildings insurance) or the things in the house (contents insurance). If something happens to the building or contents you may get a pay-out from the insurer.
insurance (car)
by law you have to have insurance if you drive a car on public roads. The basic insurance everyone must have is ‘third party’ – this means that the insurer will pay out if you damage someone’s property (e.g. their car) or cause them an injury in an accident.

You can pay additional premiums and have ‘third party, fire and theft’ – this means you are covered by the insurance if you damage someone else’s property or cause an injury and also you will get a payout if your car is stolen or damaged by fire.

Or you can choose to pay even more and have ‘fully comprehensive’. This means you are covered for any loss or damage to your car as well as for damage to other people’s property or injury to other people.

interest
the reward you get for lending your money to say, a bank or building society. Also, the cost you pay when you borrow money through a loan or credit agreement.

interest rate
the percentage that is paid on savings or loans. A savings account that is offering 8% gives you a better return than one offering 5%. Similarly, borrowing money at 22.5% costs more than borrowing at 18%.

investment
financial products which typically involve some risk of losing your original money but which give you the opportunity of better returns than you can get from savings. Rather than putting your money into a deposit account and getting the interest, you buy, say, stock market-based investments, such as bonds, shares, unit trusts and so on. A lot of people have shares without realising it as many financial products are actually based on investments, for example, endowment mortgages and pensions. Other products spread the risk of investing in the stock market by putting your money in a range of different shares, for example, unit trusts.

The value of your investment will change over time as the stock market prices go up and down.

ISA
ISA means Individual Savings Account. You do not have to pay tax on the gains or income from an ISA. You may not have a mini-ISA and a maxi-ISA in the same tax year. You can pay an overall total of £7,000 into ISAs each tax year. You can choose to put your money in up to three mini-ISAs or into one maxi-ISA each year.

> maxi-ISA
an account (or ‘wrapper’) in which you can hold a wide range of savings and investments products. These must include stocks and shares and may also include savings accounts and life insurance. You can put up to £3,000 into the cash component of your maxi-ISA, up to £7,000 into the stocks and shares component of your maxi-ISA and £1,000 into the life insurance component of your maxi-ISA. However, you must not exceed the overall total of £7,000 paid in any one tax year.

> mini-ISA
you can hold cash, or stocks and shares, or life insurance in mini-ISAs. You can have up to 3 mini-ISAs in any one tax year made up of three different types of holding. The maximum you can pay into a cash ISA is £3,000, into a stocks and shares ISA is £3,000 and into a life insurance ISA is £1,000.
**Glossary**

**Mini-cash ISA**
a savings account that pays tax-free interest. You can save up to £3,000 in a mini-cash ISA in any one tax year.

**Issue**
on some plastic cards – the number of cards you have received from the card issuer since opening the account.

**Loan**
a sum of money which you borrow. You will usually pay interest on a loan.

**Loan shark**
someone who lends money and charges a very high rate of interest. They will not hold a consumer credit licence.

**Loyalty card**
a scheme offered by some shops to encourage you to shop there. For each £1 you spend they give you something in return – often money at 1% (a penny in the pound) in the form of vouchers which must be used at that shop.

**Maximum withdrawal**
most cash machines check your bank account before giving you any money and will not give you any more than there is in your account or than is within your agreed overdraft limit. There is often a limit of, say, £250 per day, on your withdrawals.

**Mini-ISA or cash ISA**
see ISA.

**Minimum payment**
on credit or store card statements – the minimum amount you must pay off your debt each month.

**Mortgage**
a loan usually taken out to buy property, e.g. a house. If you do not keep up the mortgage repayments the mortgage company can repossess your house. This is an example of a secured loan. The loan is secure for the mortgage company because it cannot lose out. If you default on the loan, the company gets your house.

**National Insurance**
contributions paid from a person’s income, which are used by the Government to pay for benefits such as state pension and the National Health Service.

**Net**
indicates a sum of money from which certain amounts have already been taken away.

**Net interest**
this is interest which has already had the tax taken off it.

**Net pay**
the pay you actually get. All the deductions have been taken off before you get it.

**Net profit**
in a business – net profit is the gross profit less the overheads of the business measured over a particular time.

**Non-priority debts**
less important debts. The people you owe the money to can take you to court to recover the debts but cannot take any other action (such as cutting off a service or repossessing your home). They are likely to accept reasonable repayments.
notice
the time you must wait to get your money after telling, say, your bank or building society that you want to take an amount out. If you don’t wait this time you may be penalised by, for example, losing interest.

occupation
your job, work or profession e.g. bricklayer, checkout operator, teacher.

occupational pension
a pension from a scheme set up by an employer, for example, a Local Council Pension or a Teacher’s Pension. Employees have to join the scheme to be eligible and may have to make contributions towards the pension. The scheme may pay a fraction of the final salary as a pension (calculated taking into account the number of years the employee has worked) or build up a cash fund used to buy an annuity. An annuity is an investment which can pay out a regular sum over the lifetime of the owner.

overdraft
if you spend more money than you have in your current account you will go overdrawn. You can ask the bank if they can arrange to lend you some money for a short time. This is known as an arranged overdraft. You pay an agreed rate of interest on the overdraft. If you go overdrawn without asking the bank in advance, they might refuse to pay your cheques and charge you a high interest rate on the money that you owe them.

overheads
the costs of running a business. It includes things like rent, office help, heating and lighting, advertising and distributing your goods and services.

pay in
putting money into your account. This could be cash or cheques.

payments
money you pay out, for example, on materials you need for your business, interest on loans, money for services such as gas and electricity.

payment received
a sum of money paid into your account to pay off credit, a loan or for services such as gas and electricity. This will be shown on your statement.

pay period
the year is divided into equal pay periods starting from early April (which is also start of the tax year). If you are paid monthly, there are 12 pay periods; if weekly, 52.

pension
an income paid out after someone retires. The Government gives tax relief on money paid into a scheme designed to provide a pension. A pension is a ‘locked box’ form of savings because you cannot spend any money in the fund until you have reached the minimum age (often 50). You can often take part of the proceeds as a cash lump sum but the rest must be taken as income.

There are different types of pension schemes: occupational; Stakeholder; State; personal.

pension deductions
if you pay into a pension scheme which is arranged by your employer payments will be taken automatically from your pay. This will show up on your payslip as ‘pension deductions’.
**per annum**
each year.

**personal pension**
a pension plan, not tied to a particular employment, that you can keep going even if you change job. You might have set up the plan yourself direct with a pension provider or it could have been arranged through your workplace. Some personal pensions are Stakeholder schemes.

**PIN**
Personal Identification Number – a number which you use with a cash machine card. You type it in and the cash machine checks the card number and PIN are the same before paying out. For security reasons, you should keep this number secret.

**p.m.**
stands for ‘post meridiem’ which is Latin for ‘after noon’ and therefore means ‘in the afternoon’.

**policy**
this sets out everything that is agreed between you and an insurer. It lists everything that is covered as well as what is excluded. You should read it carefully before buying the insurance.

**premium**
the amount you have to pay to buy insurance. You may be able to pay in monthly installments.

**priority debts**
these are debts which are more important than others because the law lets the people you owe the money to take serious action against you. Priority debts include things like a mortgage, because your home could be repossessed if you do not keep up your mortgage repayments, and fuel bills, because your gas or electricity could be cut off.

**profit and loss**
in a business – you make a profit if you sell goods or services for more than your costs. You make a loss if the proceeds are less than your costs.

**receipts**
money coming in, for example, from selling goods and services or from taking out a loan.

**repayments**
the sums of money you pay back weekly or monthly on your loan or credit.

**responsibilities**
what you should do, e.g. finish paying for goods taken out on credit.

**return**
the amount you get back on your capital. A general rule is that the higher the return the more risky the investment.

**rights**
the protection given to you by law. For example, you have a right to compensation if your bank goes bust and you lose money.

**risk**
another name for chance or uncertainty. Types of risk include capital risk (your savings or investment fall in value), interest rate risk (the interest rate you agree to may not prove good value in the future) and inflation.
risk (price levels rise so the buying power of your savings or investments falls). Shares and share-based investments, such as unit trusts, are considered higher risk because the value of your investment can fall (capital risk) but growth of these investments tends to outstrip inflation and over the medium- to long-term usually beats the return from savings accounts.

savings
any money you put aside for future use. This may be in a deposit account – or under your bed. ‘Rainy day’ savings are useful for emergencies and need to be easily accessible, while longer-term savings can be built up to give a ‘nest egg’.

savings accounts
savings are often kept in bank, building society or National Savings accounts. The amount you put in does not fall in value but may grow as interest is added.

Savings Gateway
a scheme which is being piloted by the Government. It encourages people who would not normally save to put something by because their savings are matched by money from the Government. There are strict rules about who can benefit from the scheme and how much money they can save.

shares
an investment which makes you part-owner of a company, along with all the other shareholders. Some shares pay you a regular income (called a dividend). With all shares, you accept a capital risk. This means, if the share price rises, you make a profit when you sell, but if the share price falls, you make a loss.

short term
usually means a period of time no longer than, say, five years – and often a lot shorter.

Solo, Electron
types of debit card where your account is always checked to see whether there is enough money to pay for the goods. Your account cannot go overdrawn if you use these types of debit card.

Stakeholder
a type of pension scheme designed to be good value for money by having low charges, flexible payments and so on. Usually it means a personal pension that meets these conditions, but some types of occupational scheme can also be Stakeholder schemes.

Standing Order
a method of paying regular amounts automatically. You instruct your bank to pay money from your account to a particular person or company. It is your responsibility to change the payment if it needs to alter.

statement
a document from the bank or building society which shows all your recent payments into, and withdrawals from, your account. You should check it against your own records.

State pension
a pension paid to you when you retire by the State. The amount you get depends on your National Insurance record (or on that of your marriage partner).

stock market
where stocks and shares are bought and sold.
**storecard**
a plastic card issued by a shop that lets you buy goods at that store on credit. The APR is usually quite high. You must pay something back each month.

**Switch, Visa Debit**
types of debit card. Your account may be checked if you are paying out a large amount but not always. This means that it is possible for you to go overdrawn on your account.

**take-home pay**
the money you actually get paid after deductions such as income tax and National Insurance Contributions.

**taxation**
- **local**
you may pay local taxes such as Council tax. This money is used to pay for local services, such as libraries and the police.
- **national**
you are taxed in a variety of ways, for example, by paying income tax on your wages, by paying VAT when you buy certain goods, by paying the road fund licence for a car. These taxes are used to finance services, such as the National Health Service, Armed Forces and education, which are of benefit to everyone.

**tax code**
this code, used with special tables, tells your employer how much tax-free pay to give you for each pay period. Your tax code is worked out from your tax allowances and other tax adjustments.

**tax this period**
shown on a payslip – this is how much income tax you have to pay for this pay period. It depends upon your tax code.

**tax year**
a 12-month period running from 6th April one year to 5th April the next year. Taxes, such as income tax, are worked out over this period.

**tenant**
someone who rents where they live.

**term**
the time for which something lasts, e.g. how long you have in which to pay back a loan.

**30-day**
means you get your money back from your savings account 30 days after you told your bank or building society that you wanted it. 30-day accounts might pay higher interest than instant access.

**3 month**
means you get your money back from your savings account three months after you told your bank or building society that you wanted it. You may be able to get your savings immediately but lose interest.

**total deductions**
on a payslip – this is the total amount taken from your gross pay. What is left after this is your take-home pay.

**utility bills**
the bills for electricity, water, gas and telephone.

**voluntary excess**
you can get a reduction in your insurance premium if you agree to pay the first part of every insurance claim yourself. The insurer will then pay for anything more than this.

**withdraw**
take money out of your account.
## APPENDIX 2

### Financial Capability Resources

<table>
<thead>
<tr>
<th>Author</th>
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<td>(Available from HSBC branches, quote stock number 90276-7)</td>
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<td>John Andrew</td>
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<td><strong>You and Your Money</strong></td>
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<td>Factsheet no.1 (Available from <a href="http://www.moneymanagement.org.uk">www.moneymanagement.org.uk</a>)</td>
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<td><strong>Dealing with Your Debts</strong></td>
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<td>(National Debtline tel: 0808 808 4000)</td>
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<td>Birmingham Settlement</td>
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<td><strong>Face2Face with Finance</strong></td>
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<td>NatWest</td>
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<td><strong>Make the Most of It</strong></td>
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<td>(Teachers resource pack for 14-19 years order from Centre for Education &amp; Industry, University of Warwick tel: 024 7652 3909)</td>
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<td>(<a href="http://www.fsa.gov.uk/consumer">www.fsa.gov.uk/consumer</a> or tel: 0845 606 1234)</td>
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<td><strong>Income Tax – Who needs it? (Video)</strong></td>
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<td>(From Inland Revenue call centre 0131 273 3048 or <a href="http://www.inlandrevenue.gov.uk">www.inlandrevenue.gov.uk</a>)</td>
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<td>(<a href="http://www.ageconcern.org.uk">www.ageconcern.org.uk</a> or tel: 0800 009966)</td>
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<td><strong>Looking After the Penneys (3 TV programmes)</strong></td>
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<td>(Order from Channel 4 Learning tel: 08701 264 444)</td>
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### Adult Literacy, Language and Numeracy through context of finance

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*Access For All*  
(A manual to support literacy and numeracy teachers in making the curriculum accessible to the whole range of learners, including those with disabilities and/or learning difficulties.)

#### Basic Maths – Workshop Series:

**Banking**

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**Introduction to Money**

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#### Life Skills Series:

**Making Ends Meet**

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**A Place of Your Own**

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<td><strong>Making the Most of Your Money</strong></td>
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<td>S Llewellyn &amp; A Greer</td>
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<td><strong>Oxford Photo Dictionary</strong></td>
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*continued >*
### Adult Literacy, Language and Numeracy through context of finance

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## Software

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<td><strong>Financial Planning CD Rom</strong> <em>(Order on tel: 0845 606 1234)</em></td>
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<td><strong>Cash Crescent</strong> <em>(Tel 0800 100 900)</em></td>
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<td>FSA, University for Industry</td>
<td>Learndirect</td>
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<td><strong>Confident Consumer Pack</strong> <em>(budgeting – banking – includes CDRom)</em></td>
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<td><strong>Money-go-Round</strong> <em>(CDRom)</em></td>
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<td><strong>Money Power</strong></td>
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<td>BSA</td>
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## Online

**Using a Bank Account**
Learn Online  
[www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

## Suppliers

- **avantibooks limited**  
  Tel: 01438 745877  
  [www.avantibooks.com](http://www.avantibooks.com)

- **BEAM**  
  Tel: 020 7684 3330  
  [www.beam.co.uk](http://www.beam.co.uk)

- **The Basic Skills Agency (BSA)**  
  Tel: 0870 600 2400  
  [www.basic-skills.co.uk](http://www.basic-skills.co.uk)

- **Henley College**  
  Tel: 024 7662 6300  
  [www.henley-cov.ac.uk/public/courses/learnxchange/materials/](http://www.henley-cov.ac.uk/public/courses/learnxchange/materials/)
Websites
The following websites will help you keep up-to-date in the field of Financial Capability

- **Adult Basic Skills Strategy Unit**
  Tel: 020 7273 1223
  [www.dfes.gov.uk/readwriteplus](http://www.dfes.gov.uk/readwriteplus)

- **Association of British Credit Unions Limited (ABCUL)**
  [www.creditunioncommunities.org](http://www.creditunioncommunities.org)

- **BBC Learning**
  [www.bbc.co.uk/learning](http://www.bbc.co.uk/learning)

- **Credit Action**
  Tel: 01522 699777
  [www.creditaction](http://www.creditaction)

- **Federation of Independent Advice Centres**
  Tel: 020 7407 4070
  [www.fiac.org.uk](http://www.fiac.org.uk)

- **Law Centres Federation**
  Tel: 020 7387 8570
  [www.lawcentres.org.uk](http://www.lawcentres.org.uk)

- **Money Advice Association**
  Tel: 01476 594970
  [www.maa.i12.com](http://www.maa.i12.com)

- **National Association Of Citizens Advice Bureaux (NACAB)**
  Tel: 020 7833 2181
  [www.adviceguide.org.uk](http://www.adviceguide.org.uk)
  [www.nacab.org.uk](http://www.nacab.org.uk)

- **National Institute of Adult Continuing Education (NIACE)**
  Tel: 0116 204 4200
  [www.niace.org.uk](http://www.niace.org.uk)

- **Personal Finance Education Group (PFEG)**
  Tel: 020 7833 2184
  [www.pfeg.org.uk](http://www.pfeg.org.uk)

- **The Basic Skills Agency**
  Tel: 020 7405 4017
  [www.basic-skills.co.uk](http://www.basic-skills.co.uk)

- **The Financial Services Authority**
  Tel: 020 7066 1000
  [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

- **TV Licensing Authority**
  Tel: 0870 241 6468
  [www.tvlicensing.co.uk](http://www.tvlicensing.co.uk)

- **University for Industry**
  Tel: 0114 291 5000
  [www.ufi.com](http://www.ufi.com)
## APPENDIX 3

**APPENDIX 3**

**Organisations involved in the development of the Financial Capability Framework**

**ABCU**  
Association of British Insurers  
Shaun Spiers  
Anita Wright  
Liz Hanson, Paul Worrall, Jon Scott

**Basic Skills Agency**  
Birmingham Settlement  
Debbie Smith, Andrew Buswell, Libby Aston

**British Bankers’ Association**  
Joanna Elson, Jerry Fearnley

**Citizens Advice (was NACAB)**  
Nicola Simpson, Kate Taylor

**COI**  
Toni Schiavone

**Consumers’ Association**  
Gilly Fieldsend, Alice Rickman

**Department for Education and Skills**

**DTI**

**EGSA**

**Financial Services Authority (FSA)**

**Financial Services Research Forum**

**General Consumer Council for Northern Ireland**

**HM Treasury**

**Inland Revenue**

**Learning and Skills Council**

**Learning and Skills Development Agency**

**Money Advice Scotland**

**Money Management Council**

**National Consumer Council**

**National Foundation for Educational Research**

**NIACE**

**Office of Fair Trading**

**Pre-Retirement Association**

**SAFE, Toynbee Hall**

**Trading Standards Service**

**University for Industry**

**University of Bristol**

**Welsh Consumer Council**

**Independent consultants used to develop the framework:**

- Caryn Loftus
- Sue Skinner